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SUBJECT: PARAGUAY DRIVES TRANS-CHACO ROAD INTEGRATION PLAN

Summary

¶1. (U) Paraguay completed a major road network in the Chaco region in June that will enhance access to Bolivia, Chile, and Asian markets via Chilean ports. The newly paved Trans-Chaco Highway and new secondary roads are part of a multi-national transportation integration project that will increase local access and spur regional economic development. On the other hand, international organizations expressed concerns that the enhanced road system will encourage illegal trafficking and that the GOP may lack the capacity to maintain or police it. On balance, the improved road network should benefit the isolated residents of the Chaco by stimulating the local economy and improving access to goods and services. End Summary.

Atlanta Pacific Corredor and
Regional Infrastructure Integration

¶2. (U) Paraguay, Chile, Bolivia, Argentina, and Brazil founded the ZICOSUR Project in April 1997 to promote regional physical infrastructure integration and development. The ongoing project focuses on railway, waterway, and road network integration. ZICOSUR has concentrated most of its efforts on "Corredor Bioceanico," a comprehensive plan to build or improve regional road networks and link the Atlantic Coast in Brazil with the Pacific Coast in Chile. Once completed, the multi-national road network would stretch north-south from Corrientes, Argentina to Salta, Bolivia and east-west from Sao Paulo, Brazil to Antofagasta, Chile. Paraguay lies at the heart of this network and would benefit economically if ZICOSUR achieves its stated objectives.

Chaco Road Network Integration

¶3. (U) Paraguay, in conjunction with the Corredor Bioceanico, initiated efforts in 1998 to improve roads in the Chaco region. GOP Roads Director Juan Antonio Ferreira and Senior Project Engineer Hugo Miranda told Emboff that the enhanced Chaco road network adds 149 miles of paved roads, 136 miles of gravel roads, and 186 miles of dirt roads to the Chaco's 2,000 mile road network. The GOP paved the Trans-Chaco Highway (Route 9) from La Patria to the Bolivian border and re-routed it from the outpost of General Eugenio A. Garay in the northern Chaco to the western Chaco town of Infante Rivarola. In June 2007, Paraguay also opened a new, all-weather compacted gravel highway between Filadelfia and Pozo Hondo near the Argentine border. The new Chaco road network remains underutilized as it awaits completion of an 80-mile stretch in Bolivia that will link the Trans-Chaco Highway to Santa Cruz, Bolivia. In spite of access to raw materials and labor, the Bolivians may need at least two years to complete their portion of the highway.

¶4. (U) Paraguay used funding provided by Andean Development

Corporation and the Inter-American Development Bank (IDB) to improve its road network. In 2001, the IDB approved a USD 100 million loan to support Paraguay's road integration efforts. Of that, USD 42 million has been disbursed to the GOP for road construction and will allocate the remainder, if needed, for road maintenance over a three-year period. IDB Paraguayan Roads Director Fernando Orduz told Emboff that private contractors offered lower bids than expected, enabling the Paraguayan portion of the project to come in below budget. This accomplishment contrasts sharply with Paraguay's tendency to run behind schedule and over budget.

Road Integration Benefits

15. (U) Orduz told Emboff that the dirt roads in the Chaco traditionally fared poorly under harsh climate conditions, eroding in bad weather and hindering the transportation of goods and services. The new paved and all-weather Chaco roads will reduce transportation costs, transit time, and provide a year-round outlet for vehicles moving in and out of the sparsely inhabited Chaco region. Roads improvements also increase local access to goods and services such as health, education, and electricity for isolated and disadvantaged residents of the Chaco, who can now travel further - even to Asuncion - for goods and services.

16. (U) Large Mennonite communities in the Chaco will also benefit from access to the improved road network system. The Paraguayan economy relies heavily on Mennonite communities to produce milk, cheese, meat, and other staples sold throughout Paraguay. These communities use modern, efficient production techniques, but they lacked the means to efficiently transport their goods to market. Easier access to markets should allow the Mennonites to rapidly expand food production to better serve the domestic market and stimulate economic growth.

Road Integration: A Benefit or a Concern?

17. (U) Orduz said that a main concern with the project is the GOP's ability to maintain an extensive road system in a desolate area. The IDB will continue to supplement road maintenance in the Chaco over the next three years, but beyond that, the GOP will be responsible for the daunting task of road upkeep. Moreover, accidents will likely increase as more people travel in sparsely-populated areas with few public services such as medical facilities. Ferreira expressed concern that increased traffic could adversely impact the fragile eco-system of the Chaco. Orduz speculated that members of the indigenous population will migrate to Mennonite towns looking for jobs and social services, potentially exhausting Mennonite social service resources and leading to growth of slums.

18. (U) Improved road access in the Chaco could also facilitate both legitimate and illicit economic activity. Historically, contraband traffickers have used the Trans-Chaco Highway to ferry stolen vehicles and counterfeit cigarettes to Bolivia and drugs from the Andes to Paraguay and beyond. Ferreira indicated that an increase in road quality would not necessarily increase illegal transshipment activity because the GOP planned to place more authorities at previously underserved border crossings. He said that illegal activity will continue but in different ways. Those who smuggle will most likely find alternate routes - unimproved secondary roads that criss-cross the Paraguayan-Bolivian border - to transport contraband into Bolivia rather than using the new roads. However, public works officials Ferreira and Miranda conceded that the new road could provide a faster way to get stolen cars into Bolivia, perhaps in better condition.

Comment

19. (U) Until Bolivia completes its portion of the Trans-Chaco Highway, Paraguay's road network integration efforts may not realize their full potential. Once fully functional, the network will encourage more illicit trafficking, and checkpoints will likely remain ineffective deterrents because of pervasive corruption among

border guards. That is one of the downsides of "globalization" and interdependence. Nevertheless, cheaper access to Pacific ports for Paraguayan exporters should benefit the economy in the long-run given the high transportation costs Paraguay now faces as one of South America's most isolated countries. Improved roads also open up opportunities to enhance living conditions in the Chaco by increasing local access to goods and services, including much-needed social services. The road network is a promising addition to Paraguay's future. However, given historic corruption and the lack of a supportive infrastructure, it may yet end up a broken road and a shattered dream.

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